

Scots in debt

An analysis of debt in Scotland 2004-2008

Prepared by Consumer Credit Counselling Service (Scotland)

September 2008



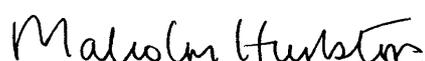
Introduction

Given the level of anxiety surrounding the credit crunch, I would expect any report focusing on debt to reveal worrying trends. In fact the number of people seeking help from CCCS Scotland has fallen over the past five years, along with their levels of debt. At first glance this suggests an improving landscape as far as debt is concerned. In fact, two underlying trends are increasing levels of debt stress for Scottish clients.

Perhaps the most striking trend of this report is the enforced tightening of purse strings caused by inflation. As recently as 2006, after living costs had been accounted for, clients were left with surpluses of over £174 with which to repay debts. This has fallen sharply to just £100 for the first eight months of 2008. Levels of debt may have fallen, but rising prices for many essential goods mean that debt problems are likely to get worse.

Secondly, the drop in average outstanding debt has been driven by an increase in the proportion of clients from low income groups. In 2008, 38 percent of clients had annual incomes of under £10,000, compared with less than a quarter (24 percent) in 2006. Despite lower debt levels, it is those on low incomes who face the biggest challenges in repaying their debts, as they face the highest ratio of debt to income.

It is clear that despite decreases in levels of borrowing, more people are being forced into over-indebtedness by increases in the cost of everyday living. Those earning less are being forced to borrow more relative to their income. It is important to understand this when considering the best way of dealing with the problems of over-indebtedness as well as striving to prevent it. It is to aid such understanding that CCCS Scotland offers this detailed analysis of its clients over the last five years.



Malcolm Hurlston , Chairman CCCS (Scotland)

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Debt in Scotland

Summary of findings

- The amount of money available to repay debts is falling for Scottish clients: this year on average clients were left with just over £100 once living costs had been accounted for, compared with £174 in 2006.
- Although those who earn more tend to have higher levels of debt, it is low earners who face the most severe debt problems. Those earning under £10,000 per year had an average debt to income ratio of 31:1 in 2008, compared to an overall average of 21:1.
- Average debt levels have fallen across all age groups, and remained largely stable across income groups.
- In the first eight months of 2008, the average outstanding debt of CCCS clients was £18,769, a decrease of over £5,000 on 2007. This has been driven by CCCS success in reaching clients with low incomes.
- CCCS sees slightly more women than men; over half the people counselled in 2008 were over 40.

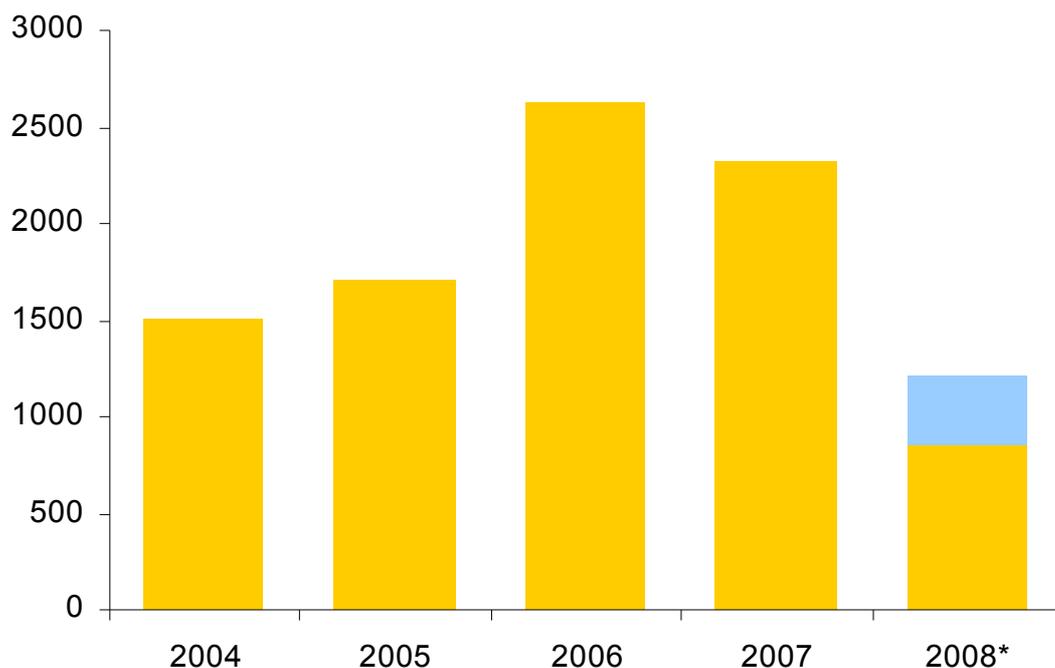
2. Analysis

This report examines the circumstances of the Scots in debt over the last five years. The information is drawn from almost 12,000 (11,876) people who had an in-depth counselling session between 2004 and August 2008 with CCCS Scotland, an independent charity which works with the UK charity, the Foundation for Credit Counselling.

2.1 Number of clients

Between 2003 and 2006 the number of clients seeking advice from CCCS Scotland rose steadily. In 2007 and 2008, the number of people seeking help has declined. The chart below shows the number of clients CCCS Scotland has counselled each year since 2004, with the blue bar representing the number we project for the remainder of the year. We expect CCCS Scotland to have helped approximately 1,200 people by the end of 2008 by telephone, in addition to approximately half this number using our online service 'Debt Remedy'.

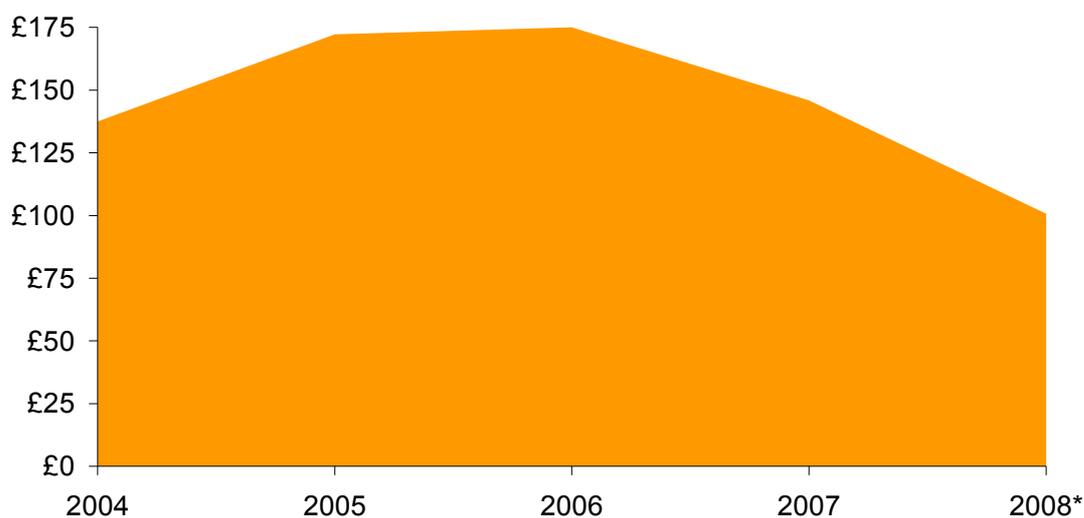
Chart 1 – Number of telephone clients in Scotland



2.2 Budget surplus

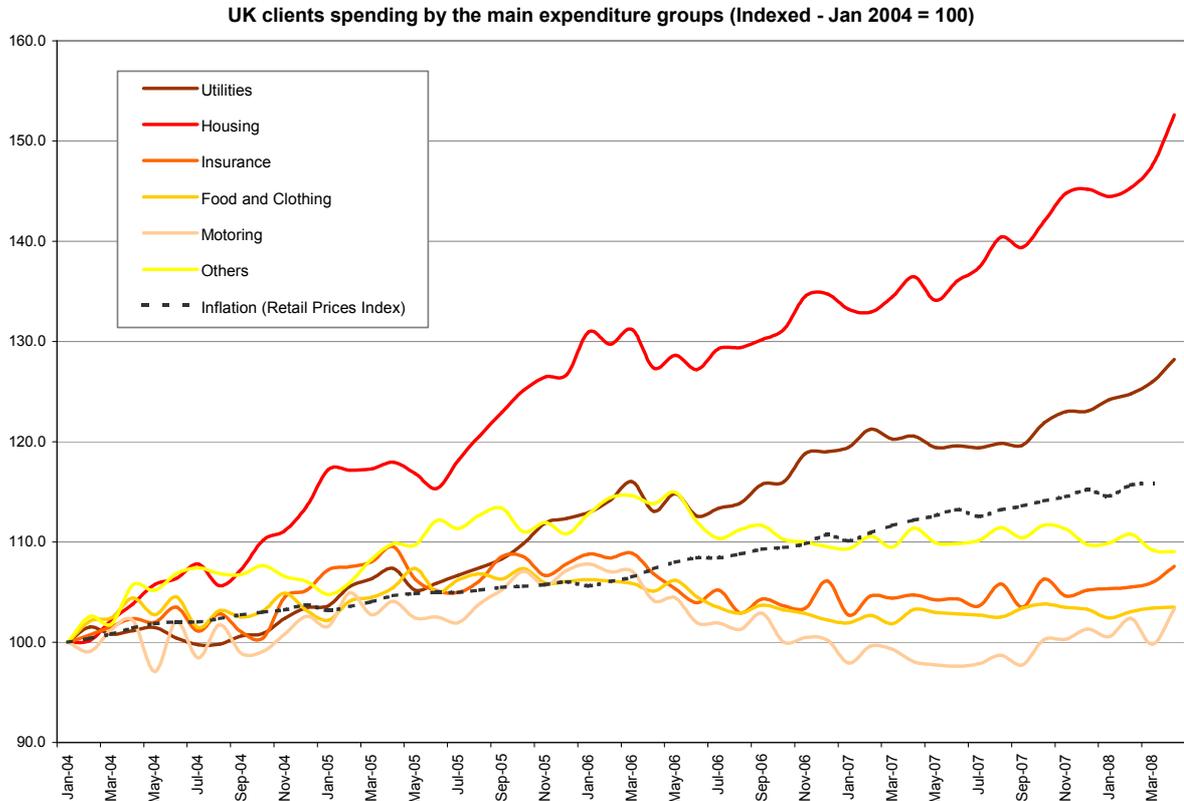
The average budget surplus¹ of CCCS clients in Scotland has fallen significantly since 2006. In 2006, the average was over £174, but has now dropped to just over £100. This reflects the increased costs of many essential items, which have far outstripped inflation, as shown in chart 3. Across the UK, client spending on housing has risen by an inflation busting 40 percent, and spending on utilities by 24 percent.

Chart 2 – Average Budget Surplus



¹ The amount of money which remains after priority debts such as rent, mortgage and utilities and the money needed to live on have been taken into account.

Chart 3 – UK Client spending by main expenditure groups (Jan 2004 = 100)



2.3 Age

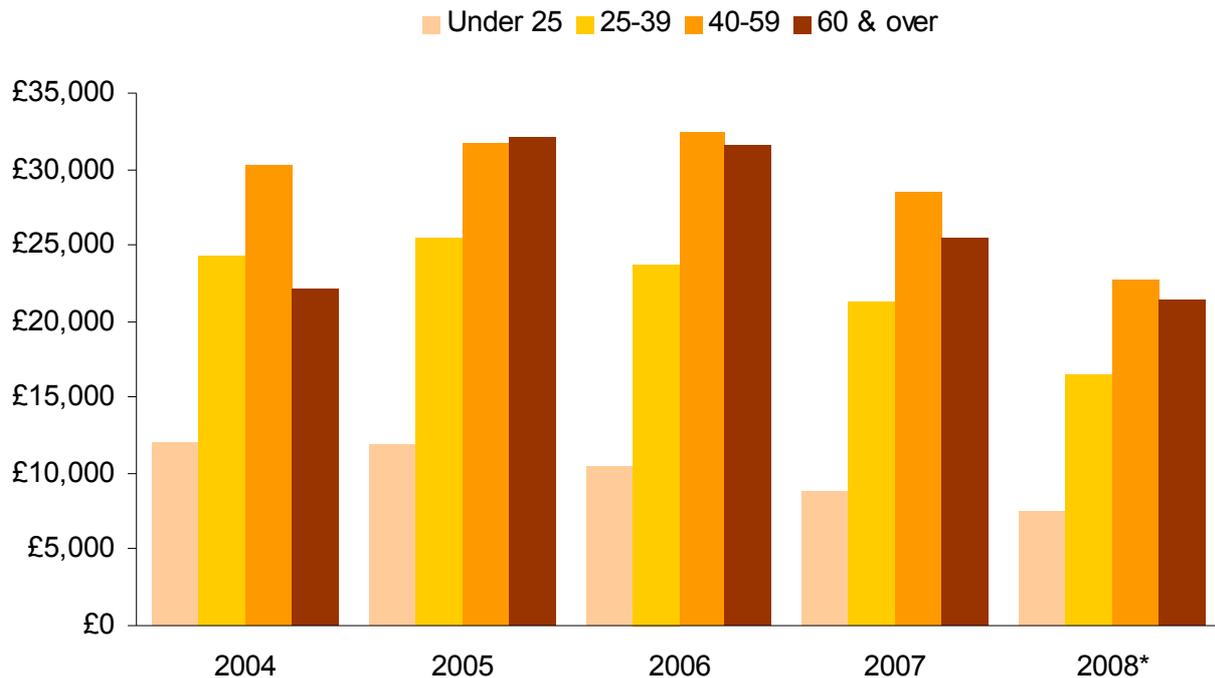
The majority of those counselled are older people: more than half (55 percent) are over 40. Although there has been a slight increase in the proportion of younger clients so far this year, it seems that it is still the old who face the greatest debt problems.

Table 1 – Age groups

	2004	2005	2006	2007	2008*
Under 25	11%	11%	9%	9%	11%
25 - 39	45%	41%	37%	34%	36%
40 - 59	40%	41%	45%	46%	45%
60 & Over	5%	7%	9%	10%	9%

Further evidence of the difficulties felt by older people can be found by examining the average outstanding debt of different age groups. In 2008, at over £22,000 the average debt of over 40s was more than 80 percent higher than that of under 40s.

Chart 4 – Outstanding Debt by Age Group



2.4 Gender

The majority of CCCS Scotland clients are women. This reflects the fact that female CCCS clients are more likely than males to be single, and the fact that they often have dependent children.

Table 2 – Gender

	2004	2005	2006	2007	2008*
Male	41.7%	41.3%	40.5%	42.8%	41.6%
Female	58.3%	58.7%	59.5%	57.2%	58.4%

2.5 Marital status

In every year since 2004, under half of those counselled by CCCS Scotland described themselves as being part of a couple. Although couples typically

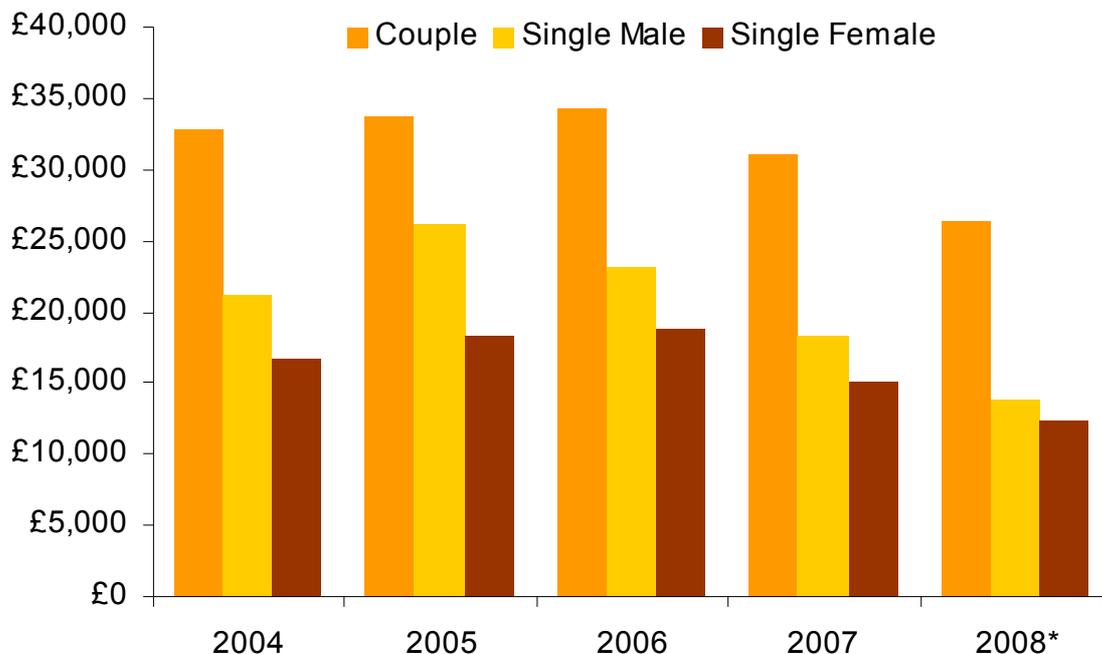
have higher levels of debt, this is tempered by the fact that they also tend to have greater earning power and flexibility in dealing with debt problems.

In the first eight months of 2008, the average debt of a couple was £26,338, compared to £13,740 for a single male and £12,464 for a single female.

Table 3 – Marital status

	2004	2005	2006	2007	2008*
Couple	47.2%	48.1%	49.0%	44.1%	37.4%
Single	52.8%	51.9%	51.0%	55.9%	62.6%

Chart 5 – Outstanding Debt by Marital Status



2.6 Housing

In Scotland, as in the UK as a whole, most CCCS clients rent their homes. Homeowners tend to have larger debts, as they have greater borrowing capacity. In 2007 the average debt of homeowners was £34,145, compared to £19,600 for tenants.

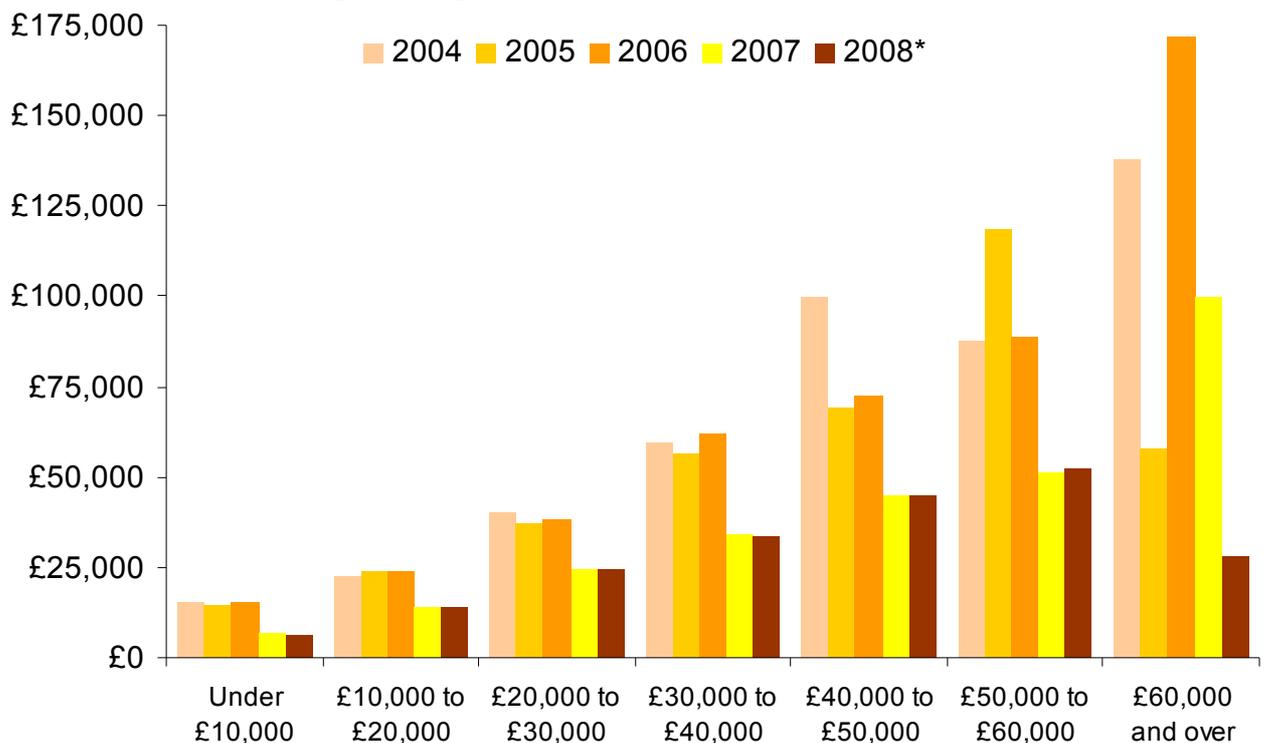
Table 4 – Housing situation

	2004	2005	2006	2007	2008*
Owners	46.7%	50.7%	48.5%	43.8%	40.4%
Renters	53.3%	49.3%	51.5%	56.2%	59.6%

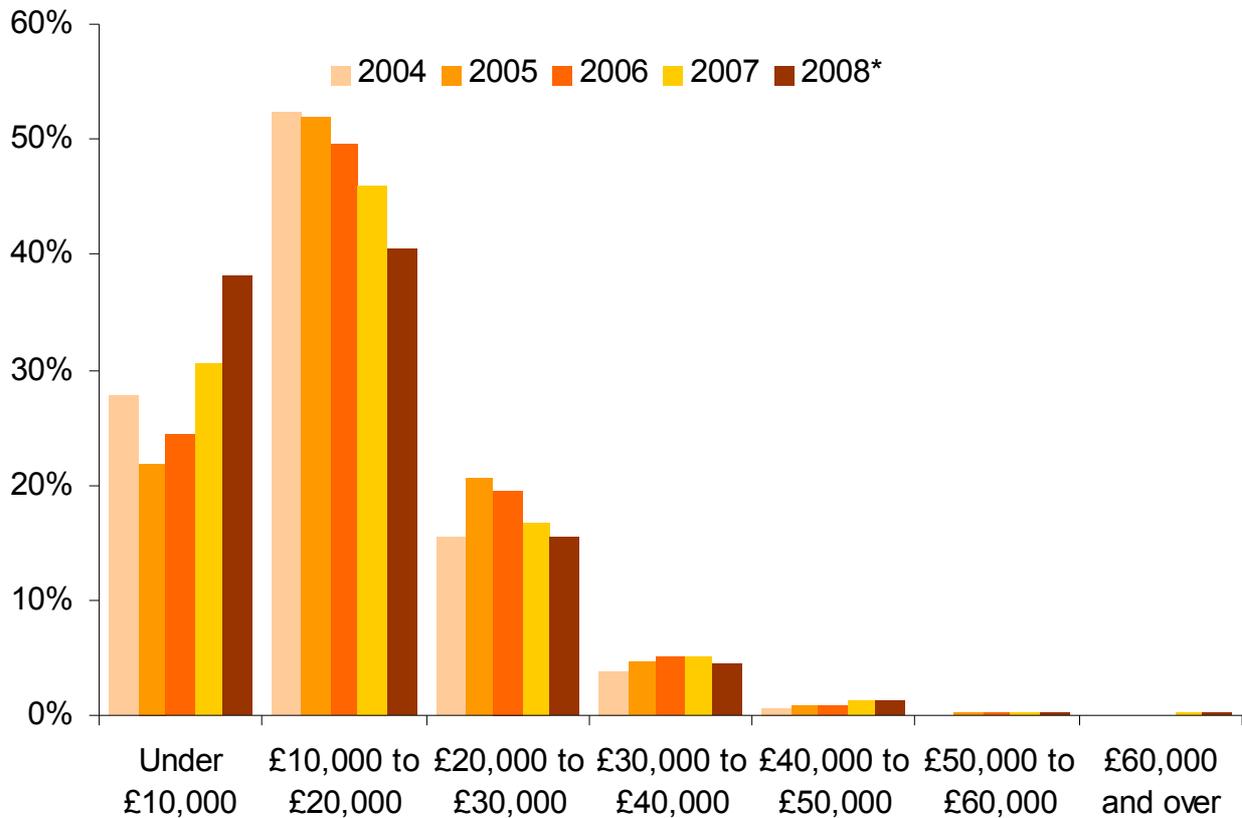
2.7 Income

In 2008, average debt levels were stable across all income groups. The only exception was in the over £60,000 income group, but this is unrevealing as only one person fell into this category.

Chart 6 – Outstanding debt by income

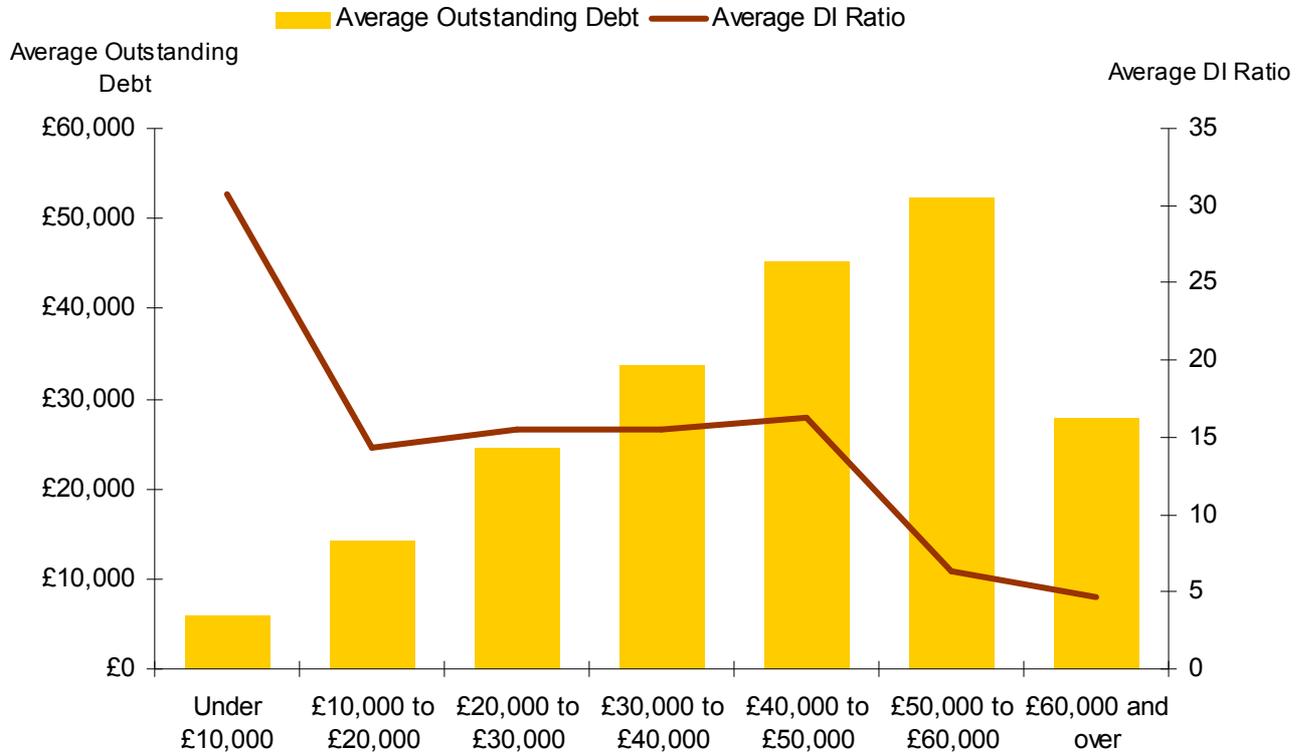


Overall average debt levels fell in 2008 to £18,769, a decrease of over £5,000 from 2007. The main reason behind this is the changing distribution of incomes among clients. In 2008, there was a significant increase in the clients from the lowest income group, as shown by the chart over.



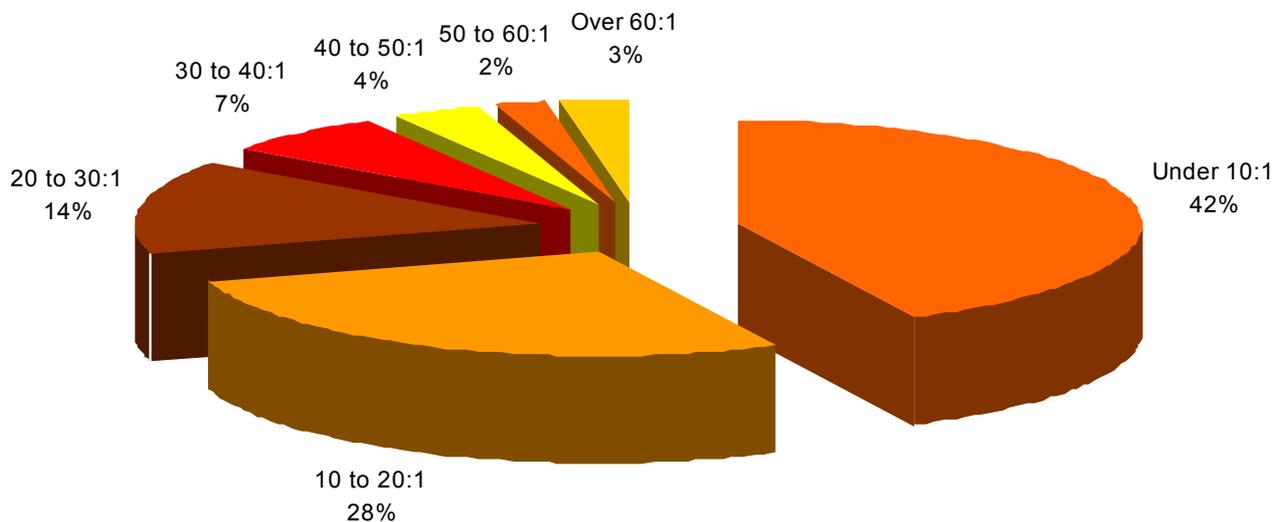
Although debt levels are higher for the lower income groups, what best reveals the ability of clients to escape debt problems is the ratio of debt to income. The chart over the page shows both the average outstanding debt and average ratio of debt to monthly income by income group in 2008. It is those in the lowest income group who face the toughest challenges, with an average DI ratio of 31:1, compared to an overall average of 21:1.

Chart 7 – Average outstanding debt and average DI Ratio by income group 2008



Those with a DI ratio of less than 10:1 are the largest group among CCCS clients in Scotland, and more than half have a DI ratio of less than 20:1.

Chart 8 – Proportion of CCCS Scotland clients by DI Ratio, 2008



3. Conclusions

On the basis of our statistics from the first eight months of 2008, it appears that average debt levels in Scotland are falling for all age groups. While there has been an overall decrease in the average level of outstanding debt, which has fallen by over £5,000 in 2008, this has been due to a change in the income distribution of CCCS clients.

In 2008, more clients had low incomes, with 38 percent earning less than £10,000 per year, up from 31 percent in 2007 and 24 percent in 2006. As those with low incomes have lower levels of debt, this has led to an overall decrease in average outstanding debt.

Budget surpluses have seen drastic reductions recently. In under two years, average budget surplus for CCCS Scotland clients has fallen by over 40 percent.

In most other areas, however, there has been little change. As in previous years, there are a greater number of female clients than males. Those over 40 years old make up the majority of clients, and the biggest age group is those aged between 40 and 59.

These patterns are similar to the rest of the UK. The only significant differences between Scotland and the UK as a whole are that Scottish clients have a lower annual income and lower levels of debt. These differences are likely to be a result of corresponding overall demographic differences between Scotland and the rest of the UK.

4. Appendix – Tables relating to charts

The information below relates to charts used in this report and in the text.

Table 5 – Clients in Scotland

	2004	2005	2006	2007	2008*
Client Count	1507	1705	2625	2323	848

Table 6 – Average budget surplus

	2004	2005	2006	2007	2008*
Budget Surplus	£ 137.78	£ 172.20	£ 174.78	£ 145.87	£ 100.65

Table 7 – Outstanding debt by age

	2004	2005	2006	2007	2008*
Under 25	£12,075	£11,857	£10,417	£8,891	£7,576
25-39	£24,245	£25,451	£23,732	£21,217	£16,484
40-59	£30,165	£31,702	£32,403	£28,477	£22,703
60 and over	£22,115	£32,036	£31,509	£25,480	£21,435

Table 8 – Outstanding debt by marital status

	2004	2005	2006	2007	2008*
Couple	£32,811	£33,699	£34,193	£31,032	£26,338
Single Male	£21,183	£26,239	£23,215	£18,260	£13,740
Single Female	£16,643	£18,213	£18,920	£15,007	£12,464

Table 9 – Outstanding debt by income

	2004	2005	2006	2007	2008*
Under £10,000	£14,968	£14,732	£15,082	£6,426	£6,004
£10,000 to £20,000	£22,294	£23,909	£23,774	£14,037	£14,092
£20,000 to £30,000	£39,839	£37,296	£38,574	£24,205	£24,488
£30,000 to £40,000	£59,394	£56,661	£61,774	£33,761	£33,661
£40,000 to £50,000	£99,875	£69,293	£72,079	£44,900	£45,208
£50,000 to £60,000	£87,383	£118,746	£88,786	£51,048	£52,296
£60,000 and over	£137,944	£57,505	£172,050	£99,628	£28,000

Table 10 – Proportion of clients by income group

	2004	2005	2006	2007	2008*
Under £10,000	28%	22%	24%	31%	38%
£10,000 to £20,000	52%	52%	50%	46%	40%
£20,000 to £30,000	15%	21%	20%	17%	16%
£30,000 to £40,000	4%	5%	5%	5%	4%
£40,000 to £50,000	1%	1%	1%	1%	1%
£50,000 to £60,000	0%	0%	0%	0%	0%
£60,000 and over	0%	0%	0%	0%	0%

Table 11 – Outstanding debt and DI ratio by income group, 2008

	Average Outstanding Debt	Average DI Ratio	Count
Under £10,000	£ 6,003.90	30.7	31
£10,000 to £20,000	£ 14,092.16	14.3	14
£20,000 to £30,000	£ 24,487.82	15.5	16
£30,000 to £40,000	£ 33,660.65	15.6	16
£40,000 to £50,000	£ 45,208.36	16.3	16
£50,000 to £60,000	£ 52,296.00	6.4	6
£60,000 and over	£ 28,000.00	4.7	5

Table 12 – Proportion of clients by DI Ratio, 2008

	Count	Proportion
Under 10:1	354	43%
10 to 20:1	230	28%
20 to 30:1	118	14%
30 to 40:1	57	7%
40 to 50:1	30	4%
50 to 60:1	16	2%
Over 60:1	22	3%

5. Further information and contact details

CCCS Scotland

Chairman's Office
2 Ridgmount Street
London WC1E 7AA

Press Office:

Tel: 0207 636 5214

Mob: 077717 88713 (Frances Walker)

Press Office email:

fwalker@hurlstons.co.uk

Scottish Debtline (Mon-Fri, 8am-8pm):

0800 138 3328

CCCS website (24-hour online debt counselling available online):

www.cccs.co.uk

CCCS email:

contactus@cccs.co.uk

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